COMMITTEE ON FINANCE
NEWS RELEASE

Max Baucus, Chairman
http://finance.senate.gov

*****UPDATE*****

The following information has been updated as of May 8, 2008, to reflect the final agreement on the farm bill tax package.

2008 FARM BILL TAX PACKAGE:
HOMEGROWN ENERGY INDEPENDENCE

As summer approaches, American families are paying higher prices than ever for gasoline. Our country needs to break its dependence on foreign oil and fossil-based fuels – and America's agricultural sector can help with homegrown energy solutions.

The final farm bill conference report will include an important new incentive for the development of cellulosic biofuels, offset by a gradual reduction of the current-law ethanol credit. The biofuel incentives will also help to grow good-paying jobs here at home, by supporting innovation in green-collar technologies.

- **Cellulosic Biofuels:** Cellulosic biofuels can be produced from agricultural waste, wood chips, switch grass and other non-food feedstocks. With an abundant and diverse source of feedstocks available, cellulosic biofuels hold tremendous promise as a home-grown alternative to fossil-based fuels. But because cellulosic biofuels are very expensive to make, government assistance is needed to spur these fuels to commercial viability. This package includes a new, temporary production tax credit for up to $1.01 per gallon, available through December 31, 2012, with an estimated cost of $403 million over the ten-year budget window.

- **Biofuels Study:** Increasing use of alternative fuels, while vital to our energy future, can put pressure on other sectors of the economy. To determine the effect of advancing biofuels technology, the bill will require a multi-agency study to analyze current and future biofuels production, and their impact on factors such as land use, fuel prices, the price of grains and forest products, etc. The study is intended to be a far-reaching analysis of the impact of biofuels production.

- **Ethanol Credit Modification:** The U.S. ethanol industry has grown dramatically in recent years, far exceeding Congress' goals for biofuel production. Now that the ethanol industry has matured, it is appropriate to curb the tax subsidy provided to ethanol. This package reduces the 51¢/gallon credit for ethanol by 6 cents in the year after which the 7.5 billion-gallon threshold established by the 2005 Energy Policy Act is reached. This proposal is similar to a provision in the December 2007 *Clean Renewable Energy and Conservation Tax Act*, and is estimated to raise $1.203 billion over the next 10 years – enabling tax incentives for additional renewable energy strategies.

Other energy-related measures in the tax package are reforms to offset costs. They include an extension of the tariff on imported ethanol through 2010, the exclusion of denaturant from the alcohol fuels credit, and a duty drawback on certain imported ethanol.